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祥泰行集團有限公司*

CHEUNG TAI HONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

**SUBSCRIPTION AND PLACING OF
CONVERTIBLE NOTES
CONNECTED TRANSACTION
CHANGES IN DIRECTORSHIP
AND
RESUMPTION OF TRADING**

The Board wishes to announce that the Company has entered into nine Subscription Agreements with each of the Subscribers and the Placing Agreement with the Placing Agent respectively. Seven of the Subscription Agreements with each of the Fund Subscribers were entered into on 8 April 2005 and two of the Subscription Agreements and the Placing Agreement were entered into on 20 April 2005. Each of the Subscription Agreements and the Placing Agreement are not inter-conditional on each other.

Of the nine Subscribers, seven of them are Fund Subscribers, with the remaining two Subscribers being Loyal Concept and Kopola. Pursuant to the Subscription Agreements, the Fund Subscribers in aggregate, Loyal Concept and Kopola have conditionally agreed to subscribe by cash for the Subscription Convertible Notes with principal amounts of HK\$356 million, HK\$450 million and HK\$150 million respectively. Each of the Fund Subscribers and their respective investment managers is independent of, not connected and not acting in concert with the Company and its connected persons (as defined under the Listing Rules), and are not connected persons of the Company. Four of the Fund Subscribers (with total subscription amount of HK\$195 million) are related to each other to the extent that they have been established and are managed by a common investment manager which is licensed by the SFC. Loyal Concept is an indirect wholly-owned subsidiary of Hanny whose shares are listed on the main board of the Stock Exchange. Notwithstanding the fact that the newly appointed Director, Mr. Cheung Hon Kit, is also a non-executive director of Hanny, and an independent non-executive Director, Mr. Kwok Ka Lap, Alva, is also an independent non-executive director of Hanny, each of Loyal Concept and Hanny is independent of, not connected and not acting in concert with the Company and its connected persons (as defined under the Listing Rules), and are not connected persons of the Company. Kopola is 50% held by Mr. Ho, the deputy chairman and independent non-executive Director, and therefore an Associate of Mr. Ho. As Mr. Ho is a connected person of the Company under Rule 14A.11 of the Listing Rules, Kopola is regarded as a connected person of the Company under Rule 14A.11 of the Listing Rules.

Pursuant to the Placing Agreement, the Placing Agent will procure, on a best effort basis, no less than six Placees to subscribe by cash for Placing Convertible Notes with a principal amount of HK\$44 million. All the Placees and their respective ultimate beneficial owners will be independent of, not connected and not acting in concert with the Company, each of the Subscribers and their respective connected persons (as defined under the Listing Rules) and concert parties, and are not connected persons of the Company. None of the Placees will be a Subscriber.

The terms of the Subscription Convertible Notes and Placing Convertible Notes are identical.

Upon full conversion of the Subscription Convertible Notes at the Initial Conversion Price, a total of 2,172,727,272 new Conversion Shares will be issued, representing approximately 602% of the existing issued share capital of the Company and approximately 85.8% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares at the Initial Conversion Price.

Assuming all the HK\$44 million Placing Convertible Notes are successfully placed by the Placing Agent, upon full conversion of the Placing Convertible Notes at the Initial Conversion Price, a total of 100,000,000 new Conversion Shares will be issued, representing approximately 27.7% of the existing issued share capital of the Company and approximately 21.7% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares at the Initial Conversion Price; and upon full conversion of the Subscription Convertible Notes and the Placing Convertible Notes at the Initial Conversion Price, a total of 2,272,727,272 new Conversion Shares will be issued, representing approximately 630% of the existing issued share capital of the Company and approximately 86.3% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares at the Initial Conversion Price.

The total gross proceeds from the Subscription amount to HK\$956 million. Assuming all the Placing Convertible Notes are successfully placed by the Placing Agent, the total gross proceeds from the Placing amount to HK\$44 million. Therefore, the maximum total gross proceeds from the Subscription and the Placing amount to HK\$1,000 million. After deducting related expenses of approximately HK\$4 million, approximately HK\$996 million will be available for the Group. It is intended that all of the net proceeds will be used for expanding the investment properties portfolio of the Company when opportunities arise.

The subscription of Subscription Convertible Notes by Kopola constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules. Accordingly, the Subscription by Kopola is subject to the approval of the independent Shareholders on which voting shall be taken by poll. Kopola and its Associates have no shareholding interests in the Company as at the date of this announcement. The directors and chief executive of the Company and their respective associates and party acting in concert with any of them will abstain from voting in the SGM on the resolutions to approve the creation and issue of the Subscription Convertible Notes and the Placing Convertible Notes and the issue and allotment of new Shares resulting from the exercise of the conversion rights attached to the relevant Subscription Convertible Notes and Placing Convertible Notes, on which voting shall be taken by poll. An Independent Board Committee comprising Mr. Wong Chi Keung, Alvin and Mr. Zhang Shichen will be established to consider the Subscription and the Placing and to advise the independent Shareholders regarding the Subscription and the Placing. An independent financial adviser will be appointed to advise the Independent Board Committee and the independent Shareholders regarding the Subscription and Placing.

A circular containing, among other things, (i) details of the Subscription Agreements and the Placing Agreement; (ii) the recommendations of the Independent Board Committee in relation to the Subscription and Placing; (iii) the advice of the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Subscription and Placing; and (iv) a notice convening the SGM, will be dispatched to the Shareholders as soon as practicable.

The Board is also pleased to announce that Mr. Cheung Hon Kit has been appointed as the chairman and executive Director and Mr. Chan Fut Yan as the managing Director and executive Director with effect from 20 April 2005. On the same date, Mr. Lo Lin Shing, Simon resigned as the chairman and executive Director but remained as a non-executive Director. Upon completion of the subscription by Kopola, Mr. Ho will cease to be an independent non-executive Director but will remain as a non-executive Director.

Trading in the Shares on the Stock Exchange has been suspended with effect from 10:00 a.m. on 29 March 2005 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 21 April 2005.

The Board wishes to announce that the Company has entered into nine Subscription Agreements with each of the Subscribers and the Placing Agreement with the Placing Agent respectively. Each of the Subscription Agreements and the Placing Agreement are not inter-conditional on each other.

SUBSCRIPTION AGREEMENTS

Dates of the Subscription Agreements

Seven of the Subscription Agreements with each of the Fund Subscribers were entered into on 8 April 2005 and the remaining two of the Subscription Agreements were entered into on 20 April 2005.

Parties to the Subscription Agreements

- (i) The Company as the issuer; and
- (ii) Seven Fund Subscribers, Loyal Concept and Kopola as the Subscribers to subscribe by cash for the Subscription Convertible Notes with principal amounts of HK\$356 million, HK\$450 million, and HK\$150 million respectively.

Subscribers

Each of the Fund Subscribers and their respective investment managers is independent of, not connected and not acting in concert with the Company and its connected persons (as defined under the Listing Rules), and are not connected persons of the Company. Four of the Fund Subscribers (with total subscription amount of HK\$195 million) are related to each other to the extent that they have been established and are managed by a common investment manager which is licensed by the SFC.

Loyal Concept is an investment holding company and is an indirect wholly-owned subsidiary of Hanny whose shares are listed on the main board of the Stock Exchange. Hanny and its subsidiaries are principally engaged in the trading of computer related products, consumer electronic products which comprise the manufacturing, distribution and marketing of data storage media (primarily floppy disks, CD-R, CD-RW and DVD), the distribution and marketing of computer accessories and storage media drives, scanners, audio and video cassettes, minidisks, household electronic products and telecommunication accessories and securities trading. Hanny and its subsidiaries also made strategic investments in information technology, supply of household consumer products and other businesses. Notwithstanding the fact that the newly appointed Director, Mr. Cheung Hon Kit, is also a non-executive director of Hanny, and an independent non-executive Director, Mr. Kwok Ka Lap, Alva, is also an independent non-executive director of Hanny, each of Loyal Concept and Hanny is independent of, not connected and not acting in concert with the Company and its connected persons (as defined under the Listing Rules), and are not connected persons of the Company. The subscription of Subscription Convertible Notes by Loyal Concept constitutes a major transaction and a possible very substantial acquisition for Hanny under the Listing Rules, for details please refer to the announcement issued by Hanny dated 20 April 2005. As stated in the announcement of Hanny dated 20 April 2005, as at the date of this announcement, each of Loyal Concept and Hanny and their respective subsidiaries has no intention to inject any assets or businesses into the Group after the completion of the subscription of the Subscription Convertible Notes by Loyal Concept and after the exercise of the conversion rights attached to the Subscription Convertible Notes subscribed by Loyal Concept.

Kopola is an investment and property holding company. Kopola is 50% held by Mr. Ho with the remaining 50% held by his elder brother. Mr. Ho is the deputy chairman and independent non-executive Director. Mr. Ho is a director of Miramar Hotel and Investment Company, Limited and a non-executive director of New World Mobile Holdings Limited, Tai Fook Securities Group Limited ("TFSG") and CITIC Pacific Limited. He is also an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited, Shun Tak Holdings Limited and Starlight International Holdings Limited, all of which are companies whose shares are listed on the Stock Exchange. Upon completion of the subscription by Kopola, Mr. Ho will cease to be an independent non-executive Director but will remain as a non-executive Director.

Conditions of the Subscription

Completion of the Subscription is conditional upon:-

- (i) none of the representations, warranties and undertakings given by the Company pursuant to the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;
- (ii) none of the representations, warranties and undertakings given by each of the Subscribers pursuant to respective Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;
- (iii) the passing of the ordinary resolutions by the Shareholders at the SGM approving the creation and issue of the Subscription Convertible Notes to the Subscribers (other than Kopola) and the issue and allotment of the new Shares to the Subscribers (other than Kopola) resulting from the exercise of the conversion rights attached to the relevant Subscription Convertible Notes;
- (iv) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the new Shares to be issued and allotted as a result of the exercise of the conversion rights attached to the Subscription Convertible Notes;
- (v) the compliance of any other requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the SFC which requires compliance in relation to the creation and issue of the Subscription Convertible Notes and the new Shares to be issued and allotted as a result of the exercise of the conversion rights attached to the Subscription Convertible Notes;
- (vi) (where required) the Bermuda Monetary Authority granting its permission to the creation and issue of the Subscription Convertible Notes and the issue and allotment of the new Shares resulting from the exercise of the conversion rights attached to the Subscription Convertible Notes;
- (vii) the obtaining of all consents from any relevant persons which are necessary or desirable in connection with the creation and issue of the Subscription Convertible Notes (and, where such consents are given subject to conditions, such conditions are on terms as may be reasonably acceptable to the Company);
- (viii) the Company having produced to the Subscribers a legal opinion issued by a firm of Bermudan lawyers that the Company is duly incorporated and in good standing and that it has full power to enter into the Subscription Agreements and the Subscription Agreements are and (when executed and subject to fulfillment of the conditions of the Subscription) the Subscription Convertible Notes will be legal, valid and binding on it and enforceable in accordance with the respective terms thereof; and
- (ix) the Company having confirmed that the aggregate principal sum of the Subscription Convertible Notes and Placing Convertible Notes shall not be less than HK\$1,000 million and that such amount, after deducting all related expenses, shall be payable to, and for the account of, the Company.

In addition to the above conditions, completion of the subscription of Subscription Convertible Notes by Loyal Concept is also conditional upon the passing of the necessary resolution(s) by shareholders of Hanny at a general meeting approving, inter alia, the subscription of Subscription Convertible Notes by Loyal Concept and the transactions contemplated under the Subscription Agreement in relation thereto; and completion of the subscription of Subscription Convertible Notes by Kopola is also conditional upon the passing of the ordinary resolution(s) by the independent Shareholders at the SGM approving the creation and issue of the Subscription Convertible Notes to Kopola and the issue and allotment of the new Shares to Kopola resulting from the exercise of the conversion rights attached to the Subscription Convertible Notes.

Except for conditions (i), (viii) and (ix) which are waivable by the relevant Subscribers and condition (ii) which is waivable by the Company respectively, none of the conditions are waivable. If any of the conditions has not been fulfilled or (as the case may be) waived by 5:00 p.m. on 31 July 2005 (or such other date as the Company and the Subscribers may agree in writing), each of the Subscription Agreements shall terminate and the respective obligations of the parties thereto under the respective Subscription Agreements shall forthwith cease and terminate.

Completion

Completion of the Subscription is to take place on the third business day after the date upon which the conditions stated in the section headed "Conditions of the Subscription" above are fulfilled or, as the case may be, waived, or such other date as the Company and the Subscribers may agree.

PLACING AGREEMENT

Date of the Placing Agreement

20 April 2005

Parties to the Placing Agreement

- (i) The Company as the issuer; and
- (ii) The Placing Agent

Placing Agent

Mr. Lo Lin Shing, Simon, the non-executive Director, is the deputy chairman and beneficially interested in approximately 13% of the issued share capital of TFSGL, the holding company of the Placing Agent and the shares of which are listed on the Stock Exchange. Mr. Ho, the deputy chairman and independent non-executive Director, is a non-executive director of TFSGL. Save for the aforesaid, the Placing Agent is an independent third party not connected with the Company and its connected persons (as defined under the Listing Rules), and is not a connected person of the Company. The Placing Agent will receive a placing commission of 2.5% on the gross proceeds from the Placing, the commission of which will be payable by the Company upon completion of the Placing.

Placees

Pursuant to the Placing Agreement, the Placing Agent will procure, on a best effort basis, no less than six Placees to subscribe by cash for Placing Convertible Notes with a principal amount of HK\$44 million. The Company will make a further announcement as soon as practicable once the Placees under the Placing Agreement have been identified.

All the Placees and their respective ultimate beneficial owners will be independent of, not connected and not acting in concert with the Company, each of the Subscribers and their respective connected persons (as defined under the Listing Rules) and concert parties, and are not connected persons of the Company. None of the Placees will be a Subscriber.

Conditions of the Placing

Completion of the Placing is conditional upon:-

- (i) the passing of the ordinary resolutions by the Shareholders at the SGM approving the Placing and the creation and issue of the Placing Convertible Notes under the Placing and the issue and allotment of the new Shares resulting from the exercise of the conversion rights attached to the Placing Convertible Notes;
- (ii) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the new Shares to be issued and allotted as a result of the exercise of the conversion rights attached to the Placing Convertible Notes;
- (iii) the compliance of any other requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the SFC which requires compliance in relation to the Placing, the issue of the Placing Convertible Notes and the new Shares to be issued and allotted as a result of the exercise of the conversion rights attached to the Placing Convertible Notes;
- (iv) (where required) the Bermuda Monetary Authority granting its permission to the issue of the Placing Convertible Notes and the issue and allotment of the new Shares resulting from the exercise of the conversion rights attached to the Placing Convertible Notes; and
- (v) the obtaining of all consents from any relevant persons which are necessary or desirable in connection with the creation and issue of the Placing Convertible Notes (and, where such consents are given subject to conditions, such conditions are on terms as may be reasonably acceptable to the Placing Agent and the Company).

If any of the conditions has not been fulfilled by 31 July 2005 (or such other date as the Company and the Placing Agent may agree in writing), the Placing Agreement shall lapse and be terminated and all rights, obligations and liabilities of all parties thereunder in relation to the Placing shall cease and determine and no party shall have any claim against the other under the Placing Agreement except for antecedent breach.

Completion

Completion of the Placing is to take place on the third business day after the date upon which the conditions stated in the section headed "Conditions of the Placing" above are fulfilled or such other date as the Company and the Placing Agent may agree.

SUBSCRIPTION CONVERTIBLE NOTES AND PLACING CONVERTIBLE NOTES

The terms of Subscription Convertible Notes and Placing Convertible Notes (collectively called "Convertible Notes") are identical, which are summarized as follows:

Principal terms

Aggregate principal amount:	<ul style="list-style-type: none">• Subscription Convertible Notes: HK\$956 million• Placing Convertible Notes: Initially, HK\$44 million
Initial Conversion Price:	HK\$0.44 per Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue. If at any time after the first anniversary of the issue date of the Convertible Notes the average closing price per Share for 20 consecutive trading days is higher than HK\$0.85 (subject to adjustments in the events of share consolidation and share subdivision), all the then outstanding Convertible Notes will be deemed to be converted at the then prevailing conversion price
Interest rate:	0% per annum
Maturity:	The fifth anniversary from the date of issue of the Convertible Notes
Redemption:	Unless previously converted and cancelled, the Company will redeem each Convertible Note on the Maturity Date at the redemption amount which is 110% of the principal amount of the Convertible Note outstanding. Before the Maturity Date, the Company or any of its subsidiary may purchase the Convertible Notes at any price as agreed between the Company or such subsidiary and the holders of the Convertible Notes
Transferability:	The Convertible Notes are freely transferable but may not be transferred to a connected person (as defined in the Listing Rules) of the Company without the prior written consent of the Company
Conversion period:	The holders of the Convertible Notes shall have the right to convert on any business day commencing from the 15th day after the date of issue of the Convertible Notes up to and including the date which is 15 days prior to the Maturity Date, the whole or any part (in an amount or integral multiple of HK\$500,000) of the principal amount of the Convertible Notes into Shares at the then prevailing conversion price
Voting:	The holders of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being the holders of the Convertible Notes
Listing:	No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes

- Ranking:
- The Convertible Notes will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company
 - The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes will rank pari passu in all respects with all other existing Shares outstanding at the date of conversion of the Convertible Notes

Based on the terms of the Convertible Notes, the expected yield to maturity of the Convertible Notes is approximately 1.9% per annum.

Conversion Shares

Upon full conversion of the Subscription Convertible Notes at the Initial Conversion Price, a total of 2,172,727,272 new Conversion Shares will be issued, representing approximately 602% of the existing issued share capital of the Company and approximately 85.8% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares at the Initial Conversion Price.

Assuming all the HK\$44 million Placing Convertible Notes are successfully placed by the Placing Agent, upon full conversion of the Placing Convertible Notes at the Initial Conversion Price, a total of 100,000,000 new Conversion Shares will be issued, representing approximately 27.7% of the existing issued share capital of the Company and approximately 21.7% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares at the Initial Conversion Price; and upon full conversion of the Subscription Convertible Notes and Placing Convertible Notes at the Initial Conversion Price, a total of 2,272,727,272 new Conversion Shares will be issued, representing approximately 630% of the existing issued share capital of the Company and approximately 86.3% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares at the Initial Conversion Price.

As stated in the announcement of Hanny dated 20 April 2005, as at the date of this announcement, no decision has been made by Loyal Concept on whether or when or the extent to which the conversion rights attached to the Subscription Convertible Notes are to be exercised. To the best knowledge of the Company, the Company has not received any indication from any of the Fund Subscribers or Kopola as to whether or when or the extent to which they would exercise the conversion rights attached to the Subscription Convertible Notes. In the event of conversion of the Subscription Convertible Notes and Placing Convertible Notes taken place, the Company will make appropriate announcements from time to time in the manner as described in the paragraph headed "Dilution effect on Shareholders" below.

Conversion price

The initial conversion price of HK\$0.44 per Share was arrived at after arm's length negotiation between the Subscribers, the Placing Agent and the Company and represents:

- a premium of approximately 8.6% over the closing price of HK\$0.405 per Share as quoted on the Stock Exchange on 24 March 2005, being the last trading day immediately before trading in the Shares was suspended pending the release of this announcement;
- a premium of approximately 3.8% over the average closing price of HK\$0.424 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 24 March 2005; and
- a premium of approximately 22.2% over the unaudited net asset value per Share of approximately HK\$0.36 based on the unaudited consolidated net asset value of the Company as at 30 September 2004 and the issued share capital of the Company as at the date of this announcement.

Based on the above analysis, the Directors consider the terms of the Convertible Notes, including the Initial Conversion Price, are fair and reasonable and in the interests of the Shareholders as a whole.

SHAREHOLDING STRUCTURE

Set out below is a table showing (i) the shareholding structure of the Company as at the date of this announcement; (ii) the Company's shareholding structure upon completion of the Subscription and full conversion of the Subscription Convertible Notes at the Initial Conversion Price; (iii) the Company's shareholding structure upon completion of the Placing and full conversion of the Placing Convertible Notes at the Initial Conversion Price; (iv) the Company's shareholding structure upon completion of the Subscription and the Placing and full conversion of the Subscription Convertible Notes and Placing Convertible Notes at the Initial Conversion Price; and (v) the Company's shareholding structure upon completion of the Subscription and the Placing and full conversion of the Subscription Convertible Notes and Placing Convertible Notes at the Initial Conversion Price and 2005 February Convertible Notes at HK\$0.42 per Share, assuming that (a) all the Placing Convertible Notes in an aggregate principal

amount of HK\$44 million are successfully placed by the Placing Agent; and (b) there will be no change to the existing issued share capital of the Company after the date of this announcement save as mentioned above:

	As at the date of this announcement		Upon completion of the Subscription and full conversion of the Subscription Convertible Notes at the Initial Conversion Price		Upon completion of the Placing and full conversion of the Placing Convertible Notes at the Initial Conversion Price		Upon completion of the Subscription and the Placing and full conversion of the Subscription Convertible Notes and Placing Convertible Notes at the Initial Conversion Price		Upon completion of the Subscription and the Placing and full conversion of the Subscription Convertible Notes and Placing Convertible Notes at the Initial Conversion Price and 2005 February Convertible Notes at HK\$0.42 per Share	
	number of shares	%	number of shares	%	number of shares	%	number of shares	%	number of shares	%
Lunghin Enterprise Inc. (Note 1)	28,558,196	7.9	28,558,196	1.1	28,558,196	6.2	28,558,196	1.1	28,558,196	1.0
Subscribers										
Four Fund Subscribers (Note 3)	-	-	443,181,818	17.5	-	-	443,181,818	16.8	443,181,818	15.6
Other Fund Subscribers	-	-	365,909,092	14.4	-	-	365,909,092	13.9	365,909,092	12.8
Loyal Concept	-	-	1,022,727,272	40.4	-	-	1,022,727,272	38.8	1,022,727,272	35.9
Kopola	-	-	340,909,090	13.5	-	-	340,909,090	13.0	340,909,090	12.0
Subtotal	-	-	2,172,727,272	85.8	-	-	2,172,727,272	82.5	2,172,727,272	76.3
Placees	-	-	-	-	100,000,000	21.7	100,000,000	3.8	100,000,000	3.5
Public	332,437,311	92.1	332,437,311	13.1	332,437,311	72.1	332,437,311	12.6	546,723,025	19.2
Total	360,995,507	100.0	2,533,722,779	100.0	460,995,507	100.0	2,633,722,779	100.0	2,848,008,493	100.0

Note 1: Lunghin Enterprise Inc. is a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by Mr. Tse Cho Tseung, an executive director of the Company.

Note 2: Save for the outstanding 2005 February Convertible Notes and share options which have already been granted under the Share Option Scheme as at the date of this announcement, the Company does not have any other securities which are convertible into Shares.

Note 3: Being four of the Fund Subscribers with total subscription amount of HK\$195 million which are established and managed by a common investment manager licensed by the SFC.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of Loyal Concept and Hanny and their concert parties are independent of, not connected and not acting in concert with Kopola and Mr. Ho and their concert parties, and vice versa.

In the event that Loyal Concept exercises the conversion rights attaching to the Subscription Convertible Notes to the extent that Loyal Concept becomes a Shareholder interested in 30% or more of the enlarged issued share capital of the Company, Loyal Concept will be obliged to make a mandatory offer to the Shareholders to acquire all the then issued Shares, other than those already owned or agreed to be acquired by Loyal Concept and parties acting in concert with it in accordance with Rule 26 of the Takeovers Code. As set out in the announcement of Hanny dated 20 April 2005 in relation to the subscription of Subscription Convertible Notes by Loyal Concept, Loyal Concept will comply with the relevant requirements of the Takeovers Code in such event that an obligation for a mandatory general offer arises.

The Company and the Directors will take appropriate steps to ensure that there will be sufficient public float for the Shares immediately following conversion of the Convertible Notes at any time during the term of the Convertible Notes.

The Stock Exchange has indicated that should the Subscription and the Placing be completed, it will closely monitor trading in the Shares if less than 25% of the issued Shares are held by the public. If the Stock Exchange believes that a false market exists or may exist in the trading in the Shares, or there are too few Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares until a sufficient level of public float is attained.

DILUTION EFFECT ON SHAREHOLDERS

As the Company foresees the future dilution effect on the Shareholders resulting from the exercise of the conversion rights attaching to the Convertible Notes, the Company will keep the Shareholders informed of the level of dilution effect and all relevant details of any conversion of the Convertible Notes in the following manner:

- (a) the Company will make a monthly announcement (the "Monthly Announcement") on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
 - (i) whether there is any conversion of the Convertible Notes during the relevant month. If yes, details of the conversion(s), including the conversion date, number of new Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - (ii) the number of outstanding Convertible Notes after the conversion, if any;
 - (iii) the total number of Shares issued pursuant to other transactions, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and
 - (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month; and
- (b) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Convertible Notes reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock

Exchange including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be).

REASONS FOR THE SUBSCRIPTION AND THE PLACING AND USE OF PROCEEDS

The Company is an investment holding company and the subsidiaries of which are principally engaged in (i) property development and investment; (ii) trading of motor cycles and spare parts; and (iii) the sale and manufacture of “Tung Fong Hung” branded Chinese pharmaceutical and health products, as well as the production and distribution of western pharmaceutical products.

As stated in the circular of the Company dated 6 January 2005, by leveraging on its extensive experience in the property business, the Group is open for property investment opportunities and has decided to further expand its investment properties portfolio in high quality residential and commercial buildings in Hong Kong and other areas that the Board may think fit. The Group is still focusing on this business development approach and the Board has kept on exploring suitable investment opportunities. The Board has considered various ways of raising funds other than the Subscription and the Placing, such as bank borrowings, rights issue and open offer. However, the Board considers that such other methods of financing would be less preferable and effective than the Subscription and the Placing in view of the size of the new capital to be raised and the relatively higher cost and longer time involved in other funding arrangement such as rights issue, open offer and bank borrowings. The Board considers the Subscription and the Placing as the best available fund-raising methods for future possible acquisitions when such opportunities are identified.

The total gross proceeds from the Subscription amount to HK\$956 million. Assuming all the Placing Convertible Notes are successfully placed by the Placing Agent, the total gross proceeds from the Placing amount to HK\$44 million. Therefore, the maximum total gross proceeds from the Subscription and the Placing amount to HK\$1,000 million. After deducting related expenses of approximately HK\$4 million, approximately HK\$996 million will be available for the Group. It is intended that all of the net proceeds will be used for expanding the investment properties portfolio of the Company when opportunities arise. As at the date of this announcement, the Board has not identified any specific property to invest in.

ADJUSTMENTS OF THE CONVERSION PRICE OF 2005 FEBRUARY CONVERTIBLE NOTES AND SUBSCRIPTION PRICE OF THE SHARE OPTIONS

According to the terms of 2005 February Convertible Notes and the rules of the Share Option Schemes, as a result of the Subscription and/or the Placing, adjustments may need to be made to the conversion price of the 2005 February Convertible Notes (“2005 February Conversion Price”) and the subscription price of the Share Options (“Subscription Price”). Upon completion of the Subscription and/or the Placing, the Company will notify the holder(s) of the 2005 February Convertible Notes and the Share Options respectively in relation to any adjustment to the 2005 February Conversion Price and the Subscription Price. As at the date of this announcement, the principal amount of the 2005 February Convertible Notes outstanding was HK\$90 million, representing an entitlement of approximately 214,285,714 Shares upon full conversion. The number of Shares to be issued under the Share Options granted as at the date of this announcement was 27,300.

GENERAL

Kopola is 50% held by Mr. Ho, the deputy chairman and independent non-executive Director, and therefore an Associate of Mr. Ho. As Mr. Ho is a connected person of the Company under Rule 14A.11 of the Listing Rules, Kopola is regarded as a connected person of the Company as well under Rule 14A.11 of the Listing Rules. The subscription of Subscription Convertible Notes by Kopola constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules. Accordingly, the subscription by Kopola is subject to the approval of the independent Shareholders on which voting shall be taken by poll. Kopola and its Associates have no shareholding interests in the Company as at the date of this announcement. The directors and chief executive of the Company and their respective associates and party acting in concert with any of them will abstain from voting in the SGM on the resolutions to approve the creation and issue of the Subscription Convertible Notes and the Placing Convertible Notes and the issue and allotment of new Shares resulting from the exercise of the conversion rights attached to the relevant Subscription Convertible Notes and Placing Convertible Notes, on which vote will be taken by poll. An Independent Board Committee comprising Mr. Wong Chi Keung, Alvin and Mr. Zhang Shichen will be established to consider the Subscription and the Placing and to advise the independent Shareholders regarding the Subscription and the Placing. An independent financial adviser will be appointed to advise the Independent Board Committee and the independent Shareholders regarding the Subscription and the Placing.

The following sets out the capital raising activity of the Company for the 12 months immediately before the date of this announcement:

Date	Event	Price (HK\$)	Net proceeds (HK\$ 'm)	Intended use of net proceeds	Actual use of net proceeds
6 May 2004	Issue of Pacific Wins Convertible Notes	0.45	15	The entire proceeds to be used as part of the consideration for the acquisition of 50% interest in Pacific Wins Development Ltd., the principal business of which is the production, sales and distribution of western pharmaceutical products	The entire proceeds were used as part of the consideration for the acquisition of 50% interest in Pacific Wins Development Ltd.
13 January 2005	Issue of 25,000,000 new Shares	0.81	19	Additional general working capital of the Company	Additional general working capital of the Company

23 February 2005	Issue of 150,000,000 new Shares	0.40	155	HK\$35 million of the net proceeds would be used for the repayment of certain short-term borrowings, approximately HK\$90 million would be reserved for expansion of the Group's investment properties portfolio when opportunities arise and the remaining balance of approximately HK\$30 million would be used for the additional general working capital of the Company	Approximately HK\$2 million of the net proceeds were used as general working capital of the Group while the remaining approximately HK\$153 million is deposited at the bank, no repayment of short-term borrowings have been made yet as such borrowings have not been due as at the date of this announcement
	Issue of 2005 February Convertible Notes	0.42 ¹			

Notes:

1. represents the conversion price before any adjustments which may be made in relation to the Subscription and the Placing
2. all the Pacific Wins Convertible Notes have been fully converted as at the date of this announcement

A circular containing, among other things, (i) details of the Subscription Agreements and the Placing Agreement; (ii) the recommendations of the Independent Board Committee in relation to the Subscription and the Placing; (iii) the advice of the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Subscription and the Placing; and (iv) a notice convening the SGM, will be dispatched to the Shareholders as soon as practicable.

CHANGES IN DIRECTORSHIP

The Board is pleased to announce that Mr. Cheung Hon Kit has been appointed as the chairman and executive Director and Mr. Chan Fut Yan as the managing director and executive Director with effect from 20 April 2005. On the same date, Mr. Lo Lin Shing, Simon resigned as the chairman and executive director but remained as a non-executive Director. Upon completion of the subscription by Kopola, Mr. Ho will cease to be an independent non-executive Director but will remain as a non-executive Director.

Mr. Cheung Hon Kit, aged 51, graduated from the University of London with a Bachelor of Arts degree and has over 27 years of experience in real estate development, property investment and corporate finance. He has worked in key executive positions in various leading property development companies in Hong Kong. Mr. Cheung is the managing director of Wing On Travel (Holdings) Limited, an executive director of ITC Corporation Limited and Paul Y. – ITC Construction Holdings Limited, a non-executive director of Hanny and an independent non-executive director of Panva Gas Holdings Limited, International Entertainment Corporation and Innovo Leisure Recreation Holdings Limited, the shares of these companies are listed on the Stock Exchange. Apart from his current directorships in the listed companies as stated above, Mr. Cheung had also been an executive vice chairman and executive director of Rosedale Hotel Group Limited (now known as China Velocity Group Limited), and independent non-executive director of Skynet (International Group) Holdings Limited (now known as Paul Y. Engineering Group Limited), Billybala Holdings Limited (now known as China Advance Holdings Limited), Asean Resources Holdings Limited (now known as Mexan Limited), and Companion Building Material International Holdings Limited (now known as Pacific Century Premium Developments Limited) during the three years preceding the date of this announcement, the shares of the above mentioned companies are listed on the Stock Exchange.

Mr. Chan Fut Yan, aged 51, has over 30 years experience in the local construction field specializing in site supervision, planning of works and progress monitoring. Mr. Chan is the managing director of Paul Y. – ITC Construction Holdings Limited and an executive director of ITC Corporation Limited, the shares of these companies are listed on the Stock Exchange. Apart from his current directorships in the listed companies as stated above, Mr. Chan had also been a vice chairman and executive director of Rosedale Hotel Group Limited (now known as China Velocity Group Limited) during the three years preceding the date of this announcement, the shares of which are listed on the Stock Exchange.

Mr. Cheung and Mr. Chan do not have any interest in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance and do not have any relationship with any other directors, senior management or substantial shareholders of the Company.

Mr. Cheung and Mr. Chan have not entered into any service contract with the Company and is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company. The remuneration to the two directors will be determined by the board of directors of the Company, with reference to his relevant duties and responsibilities within the Company.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to this appointment. The Company would like to express its warm welcome to Mr. Cheung and Mr. Chan for joining the Board.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 10:00a.m. on 29 March 2005 at the request of the Company pending the release of this announcement. In view of the size of the proposed issue of the Convertible Notes and the number of parties involved in the proposed Subscription and Placing, the Company believed that, although the Directors would use its best endeavour to keep the information about the proposed Subscription and Placing confidential, in order to avoid any possibility of divulgence of information by the other parties involved in the proposed transaction during the course of discussion with the potential subscribers, it was necessary for the Company to request a suspension of the trading in the Shares on 29 March 2005 since such price-sensitive information could not at that time be disclosed to public. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 21 April 2005.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“2005 February Convertible Notes” the 2% convertible notes due 2008 issued by the Company on 23 February 2005, the outstanding amount of which is approximately HK\$90 million as at the date of this announcement

“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of Directors
“Company”	Cheung Tai Hong Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Conversion Shares”	new Shares which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Subscription Convertible Notes and Placing Convertible Notes, at the then effective conversion price
“Director(s)”	director(s) of the Company
“Fund Subscribers”	Subscribers who are funds managed by global asset management firms
“Group”	the Company and its subsidiaries
“Hanny”	Hanny Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board established by the Board to advise the independent Shareholders in respect of the Subscription and the Placing
“Initial Conversion Price”	the initial conversion price of HK\$0.44 per Share (subject to adjustment)
“Kopola”	Kopola Investment Company Limited, a company incorporated in British Virgin Islands with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loyal Concept”	Loyal Concept Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Hanny
“Mr. Ho”	Mr. Ho Hau Chong, Norman, the deputy chairman and independent non-executive Director
“Pacific Wins Convertible Notes”	the HK\$15 million 2% convertible notes due 2006 issued by the Company on 6 May 2004, which have been fully converted into Shares as at the date of this announcement
“Placee(s)”	any individual, institutional or other professional investor(s) procured by the Placing Agent to subscribe for the Placing Convertible Notes pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Placing Convertible Notes by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	Tai Fook Securities Company Limited, a licensed corporation to carry on regulated activities 1, 3 and 4 for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional convertible note placing agreement dated 20 April 2005 entered into between the Company and the Placing Agent in relation to the Placing, subject to the terms and conditions contained therein
“Placing Convertible Notes”	the HK\$44 million zero coupon convertible notes due 2010 proposed to be issued by the Company pursuant to the Placing Agreement
“SFC”	Securities and Futures Commission of Hong Kong
“SGM”	a special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Subscription and the Placing
“Share(s)”	fully paid ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Share Options”	share options granted under the Share Option Schemes
“Share Option Schemes”	the share option schemes adopted and approved by the Company on 28 February 1994 (as subsequently terminated on 26 August 2002) and 26 August 2002 respectively
“Subscriber(s)”	Fund Subscribers, Loyal Concept and Kopola
“Subscription”	the subscription for the Subscription Convertible Notes by the Subscriber(s) pursuant to the Subscription Agreements

“Subscription Agreement(s)” seven conditional subscription agreement(s) dated 8 April 2005 entered into between the Company and each of the Fund Subscribers and two conditional subscription agreement(s) dated 20 April 2005 entered into between the Company and each of Loyal Concept and Kopola, all relating to the Subscription, subject to the terms and conditions contained therein

“Subscription Convertible Notes” the HK\$956 million zero coupon convertible notes due 2010 proposed to be issued by the Company pursuant to the Subscription Agreements

“Takeovers Code” Code on Takeovers and Mergers

By Order of the Board of
Cheung Tai Hong Holdings Limited
Cheung Yuk Ming
Company Secretary

Hong Kong, 20 April 2005

As at the date of this announcement, the Board comprises Mr. Cheung Hon Kit (Chairman), Mr. Tse Cho Tseung, Ms. Cheung Sze Man, and Mr. Chan Fut Yan as executive Directors, Mr. Lo Lin Shing, Simon as non-executive Director, Mr. Ho Hau Chong, Norman (Deputy Chairman), Mr. Wong Chi Keung, Alvin, Mr. Kwok Ka Lap, Alva and Mr. Zhang Shichen as independent non-executive Directors.

* *for identification purpose only*

“Please also refer to the published version of this announcement in The Standard.”